

DCMC-OG

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)  
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)  
DIRECTOR, DEFENSE PROCUREMENT  
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)  
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)  
ASSISTANT SECRETARY OF THE ARMY (RESEARCH, DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)  
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION  
THROUGH: DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Monthly Activity Reports for Management Reform Memorandums (MRM) 5 and 10

Forwarded for your review are the monthly activity reports for MRMs 5 and 10. The reports are intended to keep you apprised of these high-visibility programs similar to our monthly Single Process Initiative Report. On March 23, 1998, we briefed the Deputy Secretary of Defense. Purpose of the briefings was to provide the status of MRM #10 and to gain his support to issue two Department of Defense Reform Initiative Directives (DRID). The DRIDs would create two DoD-wide working integrated process teams to reengineer the DD Form 250, Material Inspection and Receiving Report, and the contract closeout processes. The Deputy Secretary of Defense was very enthusiastic, and we expect the DRIDs to be signed shortly.

Should you have any questions or concerns regarding information contained in the attached reports, please contact Ms. Janice Hawk, (703) 767-3433 for MRM #5, and Ms. Ella E. Studer, (703) 767-3398 for MRM #10.

/s/  
TIMOTHY P. MALISHENKO  
Major General, USAF  
Commander

Attachments

cc:

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DLSC

**Management Reform Memorandum #5 (MRM #5)**  
**Disposal of Excess Government-Owned Property**  
**Monthly Report**  
**Period Ending January 31, 1998**

**Status**

- Goal #1: By June 30, 1998, review 100 percent of the 500 plus contractors' systems with contracts having more than \$3M of government property:
  - Reviews to be performed by government personnel (i.e., property administrators)
  - OSD updated monthly
  - 461 reviews scheduled
  - 45 reviews require scheduling
    - Army - 12 reviews
    - Navy – 16 reviews
    - Air Force – 17 reviews
  - 72 reviews were completed as of January 31, 1998.
- Other disposal options:
  - Proceeds from sale (Navy lead)
    - Currently, proceeds can only be returned to the price or cost of contract not the program.
    - Navy general counsel reviewing initiative by the Defense Reutilization and Marketing Service to credit proceeds into a DoD working capital fund.
  - GSA screening initiatives (DCMC lead)
    - Class deviations issued by Director, Defense Procurement on February 24, 1998.
      - GSA screening of scrap no longer required
      - GSA screening timeframes reduced from 60 to 36 days
      - GSA screening of property in poor and salvage condition no longer required
  - Sale by auctions, spot bid or retain sale (Army lead)
    - Defense Acquisition Regulation Council agreed to final rule on February 18, 1998.
    - Should be published in the next Federal Acquisition Circular.
  - Demilitarization (Air Force lead)
    - Service and DCMC focal points met with OSD demilitarization office representative on February 6, 1998.
      - Draft of proposed new guidance is being circulated for comment.
      - Draft would reduce the demilitarization burden on contractors and speed up the disposal process.

**Management Reform Memorandum # 10 (MRM #10)**  
**Redesigning Department of Defense Source Acceptance Policies and Procedures**  
**Monthly Report**  
**Period Ending February 27, 1998**

**Status**

**Army:**

- No additional information for February.

**Navy:**

- Navy has reviewed less than 30 percent of supply items requiring Government Source Inspection (GSI).
- The Navy has completed development of the GSI policy training module. Training of the module to NAVICP Philadelphia personnel has been initiated.
- The Navy In-Service Engineering Agent (ISEA) at Port Hueneme, CA, was briefed by NAVSEASYSCOM HQ personnel during the week of February 22, 1998, on the policy, requirements, and objectives of MRM#10. ISEA responsibilities include making technical recommendations for GSI to Navy program/procuring offices.

**Marine Corps:**

- Message released March 4, 1998, requesting contractual GSI review be reported by March 27, 1998.

**Air Force:**

- HQ AFMC/ENPP personnel visited Ogden and Oklahoma City Air Logistics Centers (ALC) to understand how the review for GSI is proceeding. While activities varied greatly between the two ALCs, they are both aware of the Federal Acquisition Regulation (FAR) changes and intend to respond to our HQ AFMC/EN tasking for data at the end of March.
- The depth of analysis by Product Directorate at the ALCs varies according to their contractual workload. One Product Directorate had fewer than 20 procurements in January; therefore, they were able to thoroughly evaluate each contractor for the GSI requirement.
- One office stated that they acknowledged the changes in the FAR, but had not implemented them because they follow a locally published "Contracts Newsletter" that publishes FAR deviations. The new GSI wording in the FAR had not been included in this quarterly newsletter, so these changes had not been applied.
- Many Product Directorates were still in the "ramping up" stage when we visited. Some directorates had yet to assign a person to track the information required by the HQ AFMC

tasking. It is expected that the Air Force GSI review results for the second quarter of this effort (Apr - Jun 98) will be much more complete than the upcoming first quarter results.

- There were multiple conversations on the need to quantify the cost of GSI versus destination inspections, on GSI requirement criteria, on the inability to electronically track GSI on past contracts, and on how little is known about how items are inspected if they are labeled GSI. The Product Centers had particular concern in the area of ISO 9000 compliance as an advantage when they start to compete with each other for work.
- There was also discussion about the GO23 database GSI default. GO23 is the automated PR system and defaults to GSI, if the user does nothing. ALCs are planning to change the default within this system, but Oklahoma City ALC indicated that they may wait until a new information system comes on line and program this new system to avoid the GSI default.
- The Oklahoma City ALC GSI review effort was particularly well organized. A team was formed to create specific GSI and Quality Assurance procedures in filling out the AFMC Form 807. This form is used in the Air Force procurement process to establish the GSI requirement on an item. The team has been energized on the GSI topic and continues to be very responsive to issues that come along as the contracts are reviewed.
- The first of the field review data will be in to HQ AFMC/ENPP by the next monthly report and will be discussed there.

#### **Defense Logistic Support Command:**

##### **DSCR – Richmond:**

- DSCR is conducting weekly source inspection review audits for compliance with new quality assurance tables. DSCR rating across the 10 product centers for February audits was 100 percent.
- Recent and upcoming actions for the consumable item transfer of aviation weapon systems to DSCR will have a significant impact on source inspection percentages. For example, in the federal supply class 1615, helicopter rotor and drivetrain components, of the 4000 national stock numbers (NSN) received, 800 had backorders or were zero balance stock level with demands within the last 3 years. These items have flight-critical application, are complex in nature, and require intensive management.

##### **DSCC-Columbus:**

- No additional information for February.

##### **DSCP- Philadelphia (OLD DISC):**

- Further instructions and directives are being developed in DSCP-AE to bring about a coordinated effort from various DSCP production consolidated business units (CBU). Feedback from CBUs has been positive.

- Currently, in DSCP-A (the Industrial side of the house) Advanced Practices Offices, associates from the technical disciplines are reviewing newly received stock classes item by item to determine whether quality assurance requirements are reasonable, government source inspection being one of the major elements of review.

#### **DSCP - Philadelphia (OLD DPSC):**

##### **Origin Inspection Reduction Data**

##### **Subsistence**

Number Unchanged	3
Number Changed	170
% Changed to Destination	98.3
Total Reviewed	173

##### **Medical**

Number Unchanged	332
Number Changed	5996
% Changed to Destination	94.7
Total Reviewed	6328

##### **DSCP Totals**

Number Unchanged	335
Number Changed	6166
% Changed to Destination	94.8
Total Reviewed	6501

**Note Correction From Last Month's Report:** Subsistence input should have read 1,094 subsistence NSNs are being reviewed not cancelled.

#### **Defense Contract Management Command:**

- MRM #10 has been added as a specific topic to be used during Acquisition Reform Week III.
  - Training materials will include a video and facilitation guide.